Will the Murchisons Control the SEC? P. 2

Gruening Asks the Senate: If A Cease-Fire in Laos, Why Not in Vietnam?

"I congratulate President Johnson and Secretary Rusk on joining Britain, Canada, Thailand and South Vietnam in calling for a cease-fire in Laos. . . . But our action should be extended to a cease-fire in South Vietnam. . . .

"Suppose we win an apparent military decision. Suppose we succeed in identifying all the Vietcong and containing them behind barbed wire. . . . We would have to feed and clothe them well into the future. We would have to seal off the borders with U.S. soldiers. We would have a U.S. colony in Southeast Asia. This might have been considered an accomplishment in the 15th or 16th centuries but not in the 20th. . . . What about the South Vietnamese people not behind bars? Would we have instilled in them a love of the U.S. as the great peace-maker who killed or imprisoned their fathers, brothers and cousins? Is this the way to spread the light of democracy abroad? . . .

"The GOP would-be policy-makers are advocating war and the perpetual colonization of South Vietnam. The action to be taken with respect to South Vietnam is to call for a cease-fire and take the issue to the United Nations."

—Gruening (D. Alaska) in the Senate July 2, in another peace speech which the press blacked out.

I. F. Stone's Weekly

VOL. XII, NO. 25 JULY 13, 1964 101 WASHINGTON, D. C. 15 CENTS

"Let Us Close The Springs of Racial Poison"

The words are from President Johnson's statement on signing the Civil Rights Bill. Their noble plea matched the high occasion. The moment was one to make every American proud. In a world poisoned by racialism and tribalism of one kind or another, from Mississippi to the Congo, the U.S. is the one country which has made the eradication of racial discrimination a major national goal. Side by side with this political accomplishment, on behalf of the Negro in a country 90 percent white, is an even more extraordinary spectacle. A small band of college youngsters has headed South ready to risk beatings and death in the cause of racial equality. Most of them have never themselves suffered from the evil they propose to eradicate. Most are white, from well-to-do families, children of the privileged, well-educated, with sure futures. Three have already disappeared, victims of the racial savagery which makes the Deep South as dangerous for them as the jungle. Their disappearance has not stopped the others. History can show few examples of such pure idealism. These youngstets honor our country and our generation; they stand among the foremost in the family of man.

No Time for Euphoria

But we dare not pause more than a moment in the mood of euphoria brought about by passage of the Act and its first few successful tests in such deep South cities as Jackson, Miss. The President, in nominating former Governor Leroy Collins of Florida, to be director of the Community Relations Service the Act sets up, has made a first-rate choice. Governor Collins set an example of courage on the civil rights issue in Florida which seemed at one time to have cost him his political future. The country is fortunate to have, in Collins and in Secretary Hodges, two liberal Southerners who may help to smooth the path toward compliance. It may also be grateful to Ellender of Louisiana for being the first Senator from the South to speak up against disobedience to the civil rights law. To rally the better elements in the South swiftly, to give them support against the lawless, to show by determined enforcement that the Federal government means business is urgent and essential if serious trouble is to be avoided.

Just A Racially Impartial Fellow

"Sheriff Rainey [of Neshoba County where the three "disappeared"] killed two Negroes in the past four years, but said both killings were in self-defense. The six-foot one inch, 250-lb. Sheriff said it also had been necessary to 'knock the fire out of' persons resisting arrest several times, but that he used such force 'more often against whites than niggers'."

—Wash. Daily News from Phila., Miss., July 1.

One step would be an immediate expansion of the ludicrously small Civil Rights Division in the Department of Justice. Another is for Attorney General Robert Kennedy to admit that he was wrong in saying that the Federal government has no power to protect civil rights workers in the South. A third is pressure on the FBI to find those responsible for the kidnapping and probable murder of the Missing Three. They seem to have been the victims of a conspiracy in which local law enforcement officials played a key part. The FBI has been most reluctant to do anything in the past about the racist police officers of the South.

The students working in the South are doing the Federal government's work in making the right to vote a reality. There is no reason why a specially deputized Federal marshal cannot be assigned to each group. A letter in the *New York Times* July 7 from a student voter rights' worker in Fayette County, Tennessee, reports that "in the past two weeks these students have been subjected to beatings, shootings, threats and intimidation" with no protection from the local police. Charles A. Haynie writes with force and justice:

Our nation must appear foolish if, although it sends millions of American soldiers to all corners of the globe to defend the liberties of free men, it cannot preserve the right to travel, to vote, to walk, to talk, to assemble and to think in one of our own States of this Union.

LICENSED TO UNZ.ORG
ELECTRONIC REPRODUCTION PROHIBITED

Proxmire Reveals Struggle for Control of Giant Investment Empire

How Budge Appointment May Give Murchisons Control of SEC

The day the Senate approved Hamer Budge by a voice vote as Securities and Exchange Commissioner, Senator Proxmire delivered a speech in opposition. It brought to light a struggle by financial titans for control of $4.1 billion in other people's money. This is the sum managed for five affiliated and four subsidiary firms by Investors Diversified Services, Inc., the country's largest investment trust complex, which in turn is controlled by Alleghany Corp., a $6.7 billion holding company that can siphon IDS funds into its other properties, New York Central, Missouri Pacific and Webb & Knapp.

When Murchison Bros. of Dallas controlled IDS from 1953 to 59, they used it as a market for securities offered by their own financial interests. (*see box below*). In 1959, after five years' litigation, a court order divested the Murchisons of controlling interest in IDS because of "improper activities" in acquiring it. Alleghany had allowed them to "buy in" after they helped it wrest New York Central from the Vanderbilts. One month after the divestiture order, the Murchisons began a proxy contest for indirect control of IDS through Alleghany. In 1961 they won the entire empire for a mere $28 million investment.

The Abuse of Proxies

Small investors enjoy little protection against investment advisors who have secret interests in the securities they promote. A limited form of protection may result from a court suit brought against IDS, Alleghany, and Murchison Bros. by Randolph Phillips. As *amicus curiae*, the SEC can influence the outcome. Victory would mean the refund by IDS of $10 million in underwriter and advisor fees to the shareholders of its largest affiliate, Investors Mutual, Inc. At issue in the case is whether investors are to be protected under the 1940 Investment Act against an unauthorized change in control of their investment advisor when that change results from a proxy contest in the holding company. U.S. District Judge Archie Dawson has denied a trial to determine whether brokerage house proxies were committed to the Murchisons in return for IDS business. Instead he ruled that the Investment Act does not apply to proxy contests because they are "democratic elections." Phillips will appeal.

Proxmire's speech disclosed that Budge's vote may determine the position the SEC takes in court. It first voted 4-1 for the broad (pro-investor) construction of the Act urged by Alan Conwill, Director of Corporate Regulation. It then reversed itself 3-2 in favor of the Murchisons and will soon reconsider again. Proxmire was warning Budge that he could not serve on the SEC with the same immunity he enjoyed as spokesman for private power, mining and banking interests while congressman from Idaho. (He once voted against a public power project unanimously approved by his state legislature.) But to keep an eye on Budge, Proxmire must stop the SEC from voting in secret, a practice it began in 1960.

The Murchisons soon may regulate the SEC rather than the other way round. Johnson's personal adviser, Abe Fortas, is their lawyer before the SEC. A Murchison-appointed president of IDS, Tom Moses, was being considered for the position finally given to Budge. It was decided instead that Moses should replace resigning SEC Chairman William Cary. When Moses turned out to be a Republican (Cary is a Democrat), the plan had to be dropped. Alan Conwill's resignation was also a Murchison gain. He resigned when Johnson did not carry out Kennedy's intention of appointing him as replacement for Commissioner Allen Frear. Frear resigned the day after the Bobby Baker scandal broke. Johnson could dispel suspicion by replacing Chairman Cary with a liberal. Even better, he might initiate reforms in the 1940 Investment Act to prevent practices by which Texas oil millionaires can control—and manipulate—a $4 billion pool of investment capital with a $28 million investment.

As Goldwater Is To Carry Harlem

"Regulatory bodies have great power and discretion. They are constantly subject to great pressure by the people whom they regulate. It takes a man of remarkable character and objectivity to resist that kind of pressure. . . . In the course of hearings before the Committee on Banking and Currency, I asked Mr. Budge to give his views concerning the function of the SEC and what he believed his job should be. He said, 'If a person were a crook, whether he is in the securities industry or any other industry, I would deal with him as such. This position is not a bit different from the position I now hold on the trial bench.' . . . There is all the difference in the world between being a Securities and Exchange Commissioner and being a judge or one who will carry out the law as written.

"This nominee is about as likely to help make the SEC the vigorous watchdog of the marketplace that it should be as Senator Goldwater is to carry Harlem for the Presidency next November."

—Proxmire (D. Wis.) in the Senate, June 26.

How the Murchisons Used Their Control of Alleghany's Investment Trusts

"From December 1953, when Murchison Brothers acquired their first block of Investors Diversified Services, Inc. common stock until April 1960, when control of IDS was returned by Murchison Bros. to Alleghany Corporation, no less than a total of $113,587,000 of IDS and its affiliated companies funds had been lent to or invested in banks, oil and gas and miscellaneous companies identified as having transactions with the Murchison interests.

"In 1955 a company called Grilling Oil privately obtained $5,000,000 in capital funds from IDS or a subsidiary company. The IDS Finance and Law Committee subsequently discovered that Grilling's controlling persons were Holman Jenkins, principal Dallas attorney of the Murchisons, and other associated persons. In April 1956, IDS and Mutual bought no less than $22,500,000 of 5-year notes of T. J. Bettes Co., a Dallas Mortgage broker. It was discovered that Bettes had acted as a broker in finding mortgage money for the customers of Murchison companies in the house-building business."

—From the Phillips' petition to enjoin the Murchisons from use of Investors Mutual funds after they had gained control of Alleghany Corp. and IDS in 1961.

LICENSED TO UNZ.ORG
ELECTRONIC REPRODUCTION PROHIBITED

Despite The Furore Over Bobby Baker, The Senate Is Hostile to Its Own Reform

Loopholes Clark Would Close to End Influence On Capitol Hill

This issue went to press before the release of the long awaited Senate report on the Bobby Baker case. But two votes in the Senate July 2 showed how little disposed that body is to end any suspicion of influence-peddling. It voted 66 to 25 against a Morse amendment to a Federal pay raise bill which would have required all members of Congress, all Federal employes earning over $10,000 a year, all officers of the Armed Services with the rank of Colonel or above and all members of both national political party committees to disclose all income and gifts and all dealings in commodities and securities. A "little Morse amendment" covering only members of Congress and its employes was then offered by Keating. This more limited version was also rejected 61 to 25. The leadership of both parties in the Senate opposed these amendments, and the Southerners (except for Thurmond of South Carolina) were a solid bloc against disclosure. These votes do not augur well even for the weak disclosure rule reported out by the Senate Rules Committee last week which will come to a vote later this summer. So our readers can see the issues involved we reprint the heart of the separate report made by Clark of Pennsylvania, who has played a leading part in seeking reform of the Senate rules.

By Senator Joseph S. Clark

While I have joined with the Committee in voting to report this [disclosure] Resolution to the floor, I view it as merely a small and timid first step. My proposal would broaden the committee's resolution in . . .

1. *Asset disclosure.* The Committee's proposal would require disclosure of the identity of business entities in which an interest is held, but not the value. My amendment would also require disclosure of the fair market *value* of the asset.

A Senator Should Disclose His Creditors

2. *Liability disclosure.* In my view, the holding of an obligation of a person in high public office is as much a lever for evil influence as the sharing of a business undertaking. Consequently, my amendment would require the disclosure of each liability in excess of $5,000, together with the name of the holder thereof, owned by a member, officer, or employee of the Senate, or by his spouse.

3. *Capital gain disclosure.* A familiar means of passing a reward to one to whom a gift cannot be given is the "hot issue." By means of this device, one in possession of information concerning a future dramatic rise in the value of a particular security can pass that information on to others, thus permitting them to take advantage of the surge in value. . . .

There is nothing in the Committee's recommendation which would force disclosure of transactions of this sort if the securities had been sold prior to "reporting day": January 1 of the preceding year. My amendment on the other hand requires disclosure of both the *source* and *amount* of all capital gains realized during the year in any amount exceeding $5,000, by (1) the person required to report (2) by his spouse, or by him and his spouse jointly; or (3) by any straw man. My amendment would require the disclosure of the source and amount of every item of income in excess of $100 received.

5. *Disclosure of association with professional firm.* The Committee resolution goes part way toward meeting the problem of the Senator or Senate aide who maintains an association with a professional firm which engages in practice before an agency of the Federal government, by requiring disclosure of the name and address of the firm. My amendment carries the rule to the logical next step by requiring disclosure also of the name, address and principal business of any client of the firm for whom any services involving representation before a government agency are performed, together with a statement of the total fees which were charged for such services.

6. *Disclosure of financial condition and activity of spouse.* The splendid cartoonist Lichty, in his "Grin and Bear It" depicted an address being delivered by "Mrs. The Hon. Senator Snort"—"The pressure of public service is indeed terrific and a wife must do all she can to help . . . such as letting the Senator put all his investments in my name." By failing to make any provision for this time-honored technique, the Committee left a gaping loophole which renders all but worthless the other provisions of this Resolution.

7. *Prohibition of joint ventures with lobbyists.* These activities would be prohibited by my amendment.

8. *Accepting gifts from lobbyists.* It would seem to me to be wholly salutary to set a limit on the value of a gift which a Senator or Senate aide might properly receive from a lobbyist. My amendment sets this at a most generous $100. . . .

9. *Testimony of Members of the Senate.* My amendment would authorize any duly authorized Committee of the Senate to request any Senator to come before it and give any pertinent testimony which it has reason to believe he can give on the subject matter under investigation.

10. *Moonlighting by Senate officers and full-time employes.* The facts of the Baker case are such as to cast grave doubt on the practice of permitting officers and full-time employees of the Senate to serve as managers or proprietors of business enterprises, to engage in a regular professional or consulting practice, or to maintain an association with a professional or consulting firm. My amendment would prohibit moonlighting of this sort. Even if there had been no Baker case, this rule would stand well recommended by the Biblical dictum that no man shall serve two masters.

An Appeal by SCEF to the Senate

A petition was filed in the U.S. Senate July 7 by the bi-racial Southern Conference Educational Fund asking the Senate to order the Internal Security Committee to return records illegally seized from its offices in New Orleans last year. The petition was signed among others by the Rev. Fred L. Shuttlesworth, president of the SCEF, and Aubrey W. Williams, its president emeritus. This is believed to be the first time that the Senate has been petitioned to police action taken by one of its own committees. The petition cited a deposition taken last December 30 from J. G. Sourwine, chief counsel of the subcommittee, that the records were seized on the basis of a phone call to the Chairman, Eastland, without authorization from the committee. Sourwine admitted that the records disclosed no evidence of any illegal or subversive activity. "Now that the Senate has passed the historic Civil Rights Act of 1964," the petition said, "it is imperative that organizations seeking to bring about peaceful compliance with that law should not be impeded or harassed."

LICENSED TO UNZ.ORG
ELECTRONIC REPRODUCTION PROHIBITED

Irrevocable Steps Toward German Atomic Rearmament May Be In The Making

The Best Time to Sneak A New Nuclear Arms Agreement Past Congress

While public attention is focused on Mississippi and Vietnam, irrevocable steps may be taken on the path toward German nuclear rearmament. On June 30 the President sent Congress a message on a new agreement with NATO and the NATO countries for the exchange of nuclear weapons information. The message, and the appended letters from Secretary Rusk and (jointly) from Secretary McNamara and Chairman Seaborg of the Atomic Energy Commission can only be described as opaque. If, as explained privately, this has nothing to do with the creation of a multilateral nuclear force, why isn't this said plainly and publicly?

Tricky Timing

The timing of the message is tricky. Under the 1958 revision of the Atomic Energy Act, agreements of this kind become law 60 days after their submission to Congress unless overruled in the meantime by a joint resolution. This negative veto is difficult to wield under the best circumstances. The 60 days ahead will find Congress mostly out of session, its members attending the two political conventions, the scanty sessions in between taken up with urgent domestic legislation. Even if the Joint Committee on Atomic Energy should hold hearings, little attention will be paid them during the excitement of the campaign. Its chairman, Senator Pastore (D. R.I.) is up for reelection this Fall. This is an ideal time to sneak something through.

The *New York Times* (July 1) reported that the Atomic Energy Commission had just announced that the gas centrifuge process has been put on the secret list again. It may some day provide a cheaper way of producing the enriched uranium necessary for speedy accumulation of a nuclear stockpile. Some short-cut of this kind would change the whole picture, and speed up the proliferation of nuclear arms. Will information on this process be made available to the Germans under the new agreement?

The Russians at Geneva on July 2 declared that if the Western powers wanted an agreement to stop proliferation of nuclear weapons, they would have to abandon the MLF. To the U.S. argument that the MLF was a device for keeping nuclear arms *from* the Germans, M. Zorin replied that he didn't think men as shrewd as the leaders of West Germany—which will foot 40% of the cost—would put up billions of dollars "for a fiction" (*Le Monde*, July 4)!

The British seem to be fighting a rear-guard action against MLF. On July 2 they presented to a NATO working group in Paris plans for mixed manning of existing aircraft and missile forces. The Defense Correspondent of the London *Times* (July 3) reported that despite official assurances to the contrary these are intended as alternatives to MLF. He wrote that one reason for British reservations about MLF "is that a newly constituted force is more likely to be provocative for the Soviets than a new command system for an existing force."

To permit a German finger on the nuclear trigger so soon after the second world war, and with so many of the same Germans responsible for it in charge of the West German industry and military, is criminal negligence, inviting a third and final holocaust. Those who would like to stop it may find useful information in a remarkable pamphlet put together here by a group in *Women Strike for Peace* (Box 4005, Washington, D.C. $1) on "The German Problem."

5,000 Appeal on Vietnam

"We, five thousand American college and university educators, urge a neutralized Vietnam. It would end the terror and suffering in this war-ravaged land. It would end the continuing loss of American and Vietnamese lives. It would be preferable to deeper involvement or irresponsible pull-out. We therefore appeal to you, Mr. President, not to enlarge the scope of the war, but instead to work for a neutralized North and South Vietnam, as separate, federated or reunified states protected by international guarantees and peacekeeping forces against all outside interference."

—Circulated by the National Committee for a Sane Nuclear Policy and presented July 10 by Hans Morgenthau, David Brooks Arnold and Robert S. Browne, the latter two recently returned from government service in Vietnam.

David Dellinger Will Report on His Trip to Cuba and IFS Will Speak on Peace With Castro, First Congregational Church, 945 G St. NW., Washington, D. C., July 22, 8 P.M.

I. F. Stone's Weekly 5618 Nebraska Ave., N. W. Washington 15, D. C.

Please renew (or enter) my sub for the enclosed $5:

Name .....

Street .....

City .....Zone.....State.....

7/13/64

For $5.35 send I. F. Stone's *The Haunted Fifties*

(To) Name .....

Street .....

City .....Zone.....State.....

Shall we send gift announcement? Yes ☐ No ☐

I. F. Stone's Weekly
5618 Nebraska Ave., N. W.
Washington 15, D. C.

Second class postage paid at Washington, D. C.

NEWSPAPER

We Go on Every-Other-Week Summer Schedule — Next Report From San Francisco

LICENSED TO UNZ.ORG
ELECTRONIC REPRODUCTION PROHIBITED